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Oilseeds and Products

Annual

2003

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Report Highlights:
Total Israeli imports of soybeans increased over 10 percent in MY2001. The U.S. share, however, decreased by 4 percent. In MY2002, overall soybean imports continue to increase, and the U.S. market share is improving. Much of these increases are being driven by increased production of soy protein concentrate for human consumption. Israel's imports of oil meal and oil decreased in 2002.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

The Israeli oilseeds market consists primarily of soybeans imported for crushing. Some soymeal is imported from the United States and sunflower meal for feed is imported from various sources. Crude and refined oils are also imported from many sources. Production of oilseeds in Israel is limited to confectionary peanuts and sunflower seeds, about half of which are exported. Small areas of safflower are also planted.

Total Israeli imports of soybeans increased over 10 percent MY2001 (October 2001 - September 2002) from 617,000mt to 679,000 mt. The United States market share, however, fell from 89 percent in MY2000 to 78 percent in MY2001, to a total of 530,000 mt. Attractive South American prices and the resolution of previous quality concern of Israeli importers allowed supplies from Brazil and Argentina to capture some market share from the U.S.

In the current 2002 MY year, overall soybean imports continue to increase, and the Unites States supplies also appear to be increasing. Part of the increase is due to increasing stocks in MY2002 and the increased demand by a new crusher who specialized in concentrated protein for human consumption. Soymeal imports, which peaked at 62,000 mt three years ago continue to slide back to previous levels below 40,000 tons in MY2001 essentially all from the United States. Eastern European suppliers of sunflower seed meal and other oilseed cake proteins for animal feed maintain their market share in Israel, by shipping over 75,000 tons to Israel in MY2001.

Soy oil, corn oil, sunflower oil, and rape seed oil are all produced locally from imported oilseed, and oil is imported directly. Total food oil imports (crude and refined) in 2002 are estimated at some 25 thousand mt, plus an additional 8 thousand mt imported by the Palestinian Authority. Despite concerns expressed by local crushers about low priced imports of bottled oil from Argentina eroding their markets, trade statistics for 2002 indicate that import quantities of refined oil have not increase but actually declined.

Oilseed demand is spurred by increasing production of textured soy protein for human consumption, and stable demand in the livestock sector, with an expectation for growth in both sectors in the future.

Oilseeds

The Israeli oilseeds market consists primarily of soybeans imported for crushing. Sunflower, rapeseed, and corn are also imported for crushing. Production of oilseeds in Israel is limited to confectionary peanut and sunflower seeds, about half of which are exported. Small areas of safflower are also planted..

Table 1: Oilseeds - Summary (thousand mt)

Marketing Year*	2000	2001	Preliminary 2002	Forecast 2003
Domestic Production ** (Peanuts, Sunflower, Safflower)	25	25	28	28
Imports: Soybean**	617	679	700	720
From the U.S. ** U.S. share %	549 89	530 78	560 80	612 80
End of year stock	73	137	129	98
Rapeseed and Sunflower imports **	67	45	45	90
Domestic Soybean Crush	573	632	698	741

*Oilseed marketing year begins 1 October of the calendar year.
** Source: Ministry of Agriculture, Supply and Pricing Division
*** Estimate based on discussion with crushers

Table 2: Soybean PSD

PSD Table (thousand mt)						
Country: Israel						
Commodity: Soybean						
	2001		2002		2003	
	Old	New	Old	New	Old	New
Market Year Begins	10/2001		10/2002		10/2003	
Area Planted	0	0	0	0		0
Area Harvested	0	0	0	0		0
Beginning Stocks	74	100	87	137		129
Production	0	0	0	0		0
MY Imports	700	679	756	700		720
MY Imports from U.S.	600	530	648	575		612
MY Imports for EU	2	0	3	0		0
TOTAL SUPPLY	774	779	843	837		849
MY Exports	0	0	0	0		0
MY Exports to the EU	0	0	0	0		0
Crush Domestic Consumption	640	632	697	698		741
Food Use Domestic Consumption	45	5	48	5		5
Feed Waste Domestic Consumption	2	5	2	5		5
Total Domestic Consumption	687	642	750	708		751
Ending Stocks	***87***	137	93	129		98
TOTAL DISTRIBUTION	774	779	843	837		849

Calendar Year Imports	627	627	750	669		750
Calendar Year Import from U.S.	503	503	620	552		620
Calendar Year Exports	0	0	0	0		0
Calendar Year Export to U.S.	0	0	0	0		0

Production

In Israel, there is essentially no production of oilseeds for crushing. About 10,000 mt of sunflowers and 15,000 mt of peanuts are produced for confectionary, and about half of these are exported. A small seed quantity of safflower is grown as well.

All oilseeds for crushing are imported. This condition is not expected to change as production for crushing is not economical, mainly due to Israel's water shortage. Neither the partial replenishment of water reserves during the rainy 2002-3 winter nor the development of increased recycled water resources will fundamentally change the situation for field crops.

Consumption

The Consumption of oilseeds is derived from the demand for oil meals for livestock and poultry feed, and to increasing degree, for production of textured soybean concentrate for human food products.

Much of the current and expected future growth of soybean consumption is a result of the expanding production of soybean protein for human consumption. "Solbar-Hatzor" is the major producer and the exporter of textured soy protein concentrate. Although the plant was established originally for the protein concentrate business, the firms's growth has turned the company to also become a major supplier of soybean oil and soybean meal in the local market. In 2003, "Shemen" Industries plant which is one of the largest crushing facilities in the country, also added production facilities for protein concentrate, and this will also increase the demand for soybeans by up to 40,000 tons in the next two years.

The three livestock sectors (broilers, turkeys and cattle) remained stable in 2002. The oilseed protein demand of the livestock sector is met primarily by locally-crushed soybean meal, supplemented by imported soymeal, sunflower meal and safflower meal. A new facility for the production of soy milk has been established and started production recently. The annual processing capacity of the new facility stands at 7,000 tons. The establishment of another facility is being considered by another company. Several in the bakery sector recently tested using soybean flour. It was found that adding 3 percent of soybean flour will improve the nutritional characteristics of the bread. This step take may increase soybean consumption by another 30-35 thousand mt in the future.

Trade

Imports

In MY2001 Israel increased its total imports of soybeans by 10 percent and reached 679 thousand mt: U.S. Soybean exports accounted for 530 thousand mt of the total soybean imports.. The U.S. market share in decreased from 81 percent in MY2000 to 78 percent in MY2001

Faced with sluggish Israeli market, more restrictive credit terms from Israeli banks, and the need to hold reserves, Israeli crushers sought cheaper sources of soybeans from Argentina and Brazil in MY2001. Toward the end of the year, one established crusher reduced his imports from the U.S. due to difficulty in financing imports, and eventually halted imports. The plant worked as a subcontractor for a larger crusher for two months, and has since resumed its own imports. The increase in total imports in MY2001 was due to an increase in demand from the protein concentrate producer, who imports from the United States, Brazil and Argentina.

Nevertheless, as a result of expected increases in production of soybean protein concentrate and soybean milk, total soybean imports are forecast to increase to 700 thousand mt, in MY2002 with at least 575 thousand mt of imports from the U.S. A further increase is expected in MY2003.

Part of the soybean import increase is apparently due to an anticipated increase in stocks. The Israel government requires crushers to hold minimum reserve stocks of oilseeds as a condition for duty-free imports. In late 2002 and early 2003, as tension increased in the Middle East, greater attention was paid to these reserve stock requirements. In April 2003 Ministry of Agriculture officials stated that the animal feed and edible oil sector should keep 180 thousand mt of reserve stocks of oilseeds in case of an emergency.

Israel's four main crushers often join forces in soybean imports, and sometimes grain millers are included in shipping arrangements. Crushers sometimes combine their soybean purchases and share vessels , but individual plants also buy supplies on their own.

Domestic crushers have to compete with imports of soymeal, soyoil and other meal and vegetable oil imports. Feed millers import about 40 thousand mt of soybean meal each year, essentially to keep the crushers in competitive mode. All imported soy meal is of the Hipro kind. The import competition situation is discussed in the oil meal trade policy section below.

Some 22 thousand mt of rapeseed were imported in MY2001, primarily for crushing. Most of the rapeseed came from Europe, with Romania joining France and Germany as major suppliers. Seventeen thousand tons of sunflower seeds for crushing continue to be imported from France, Ukraine, Romania and Russia.

Exports

The oilseed exports in 2002 consisted of approximately 10,000 mt of confectionery peanut and about 7,000 mt of confectionery sunflower seeds. There is also a growing export of textured soy protein concentrate estimated currently at the equivalent of about 70,0000 mt of soybeans and this is expected to grow in the future.

Table 3: Soybean Trade Matrix *

Country of Sale	CY2000 Quantity mt	CY2001 Quantity mt	CY2002 Quantity mt
U.S.A.	549,000	503,000	552,000
Other:			
Argentina		96,600	53,000
Australia		9,500	
Paraguay		3,000	
Others not Listed	3,400	15,000	65,000
Total	552,400	627,100	670,000

*preliminary Ministry of Agriculture 2002 data

Table 4: Rapeseed Trade Matrix*

Country of Sale	CY2001 $'000	CY2001 mt	CY2002 $'000	CY2002 mt
France	914	3,800	2,866	10,310
Germany	3,732	16,238	1,788	7,212
Romania	1,288	5,937	1,027	4,447
Austria	999	5,279		
Other	13	25	31	22

Total	6,946	31,279	5,712	21,991

*preliminary Ministry of Agriculture 2002 data

Trade Policy

In order to maintain the local crushing industry, all oilseeds for crushing are exempt of duty. The industry maintains some protection by way of duty on oil and protein meal (see discussion in oil meal section below.)

For confectionary sunflower seeds of United States origin, the Ministry of Agriculture grants an annual duty-free tariff quota of 3,000 mt, shared between Israeli and Palestinian importers. This is an enlargement of the 2001tarrif quota of 2,251 mt, which was essentially filled. A few hundred tons of dutiable confectionary sunflower seeds are imported every year from Eastern European countries. The numeration of the tariff categories for sunflower seeds was changed in 2003, and the new categories appear below. In addition, there is a Ministry of Agriculture initiative underway in 2003 which is expected to combine the customs categories for confectionary sunflower seeds, to one tariff level (apparently around 2 NS/kg) for all non-exempt product.

Table 5: Sunflower Seed Duty Rate

Heading	Description	MFN Tariff	EU and EFTA
12.06.0010/0	For which the Director General of the Ministry of Industry and Trade confirmed that they are for oil processing.	Exempt	Exempt
12.06.0020/9	For which the Director General of the Ministry of Industry and Trade confirmed that they are for bird feed	Exempt	Exempt
12.06.0040/7	The value of which does not exceed NS 3.70/kg	NS 3.7/kg BNM than 139%	NS3.7/kgBNM than 139%
	of U.S. origin	NS 3.3/kg BNM than 125%	
12.06.0090/2	Others	NS 1.11/kg+20%	NS 1.11/kg+20%
	of U.S. origin	NS 1.00/kg+18%	

Source: Israel Customs Tariff, 2003
Note: BNM - but not more

Implications for U.S. Exporters

The main selling point of United States oilseeds is quality and reliability. Israeli crushes are willing to

pay some premium for these advantages, particularly in light of their mixed experience in buying lower-cost seeds from South America, Europe, and Asia. Yet as Israeli buyers continue to check other sources, it is important for U.S. exporters to maintain regular contact and good relations with the Israeli crushing industry.

Israeli feed millers who are clients of Israeli crushers are also clients of United States soymeal exporters, but while Israeli feed mills will continue to import some meal to keep the Israeli crushers price competitive, it appears that the millers do not want to see the Israeli crushing industry to collapse. They are not eager to undertake the financial and logistic costs of importing the bulk of their raw material. They also understand the advantage of having fresh meal available to them.

Table 6: Soybean Meal PSD

PSD Table (thousand mt)						
Country: Israel						
Commodity: Soybean Meal						
	2001		2002		2003	
	Old	New	Old	New	Old	New
Market Year Begins	10/2001		10/2002		10/2003	
Crush	640	632	697	698		741
Extraction Rate	.79	.79	.79	.79		.79
Beginning Stocks	5	5	5	5		5
Production	506	499	550	551		586
MY Imports	56	40	60	50		50
MY Imports from U.S.	55	40	58	50		50
MY Imports for EU	0	0	0	0		0
TOTAL SUPPLY	567	544	615	606		646
MY Exports	0	0	0	0		0
MY Exports to the EU	0	0	0	0		0
Crush Domestic Consumption	1	1	1	1		1

Food Use Domestic Consumption	560	537	608	594		634
Feed Waste Domestic Consumption	1	1	1	1		1
Total Domestic Consumption	562	539	610	596		636
Ending Stocks	5	5	5	10		10
TOTAL DISTRIBUTION	567	544	615	606		646
Calendar Year Imports	54	54	65	55		55
Calendar Year Import from U.S.	54	54	50	55		55
Calendar Year Exports	0	0	0	0		0
Calendar Year Export to U.S.	0	0	0	0		0

Production

Most oil meal production is geared to livestock and poultry consumption, limited by crushing capacity and complemented by imports. The crushing plants cannot satisfy the growing demand for Hi Pro 48 percent meal. Most of the crushers produce only 44 percent soy meal. Hi-Pro meal is still produced only by one crusher. There were no developments in full fat soy production. One feed mill has installed equipment but it is used only for producing fish feed. Israelis prefer soap stock, which costs less and is readily available.

Table 7: Oilseed meal - Summary (mt)

Marketing Year	2000	2001	2002 Preliminary	2003 Forecast
Crush	573	632	698	741
Soy Meal Production	452	499	551	586
Soy meal imports: of which from the U.S. U.S. share %	58 48 83	40 40 100	50 50 100	50 50 100
Other Meals *	66	80	73	75

Source: MOA, Pricing and Supply Dept. figures

* Sunflower meal and rapeseed meal

Consumption

The consumption of oilseed meal in MY2001 increased by 6 percent as more meal was used for protein concentrate production and overall levels for livestock feed remained stable.

Oilseed meal is the intermediate stage for the production of soy protein concentrate. As much as 70,000 tons of soybeans may be crushed by Solbar Hatzor primarily to meet this demand, and this quantity is expected to increase by as much as 50 percent as a second protein concentrate facility, at Shemen Industries, comes on stream in 2003.

The three livestock sectors that are mainly driving the demand for feed are broilers, turkeys and cattle. Production volumes of broilers and egg production have leveled off, with turkey production falling slightly in 2002.

1. Broilers -

Broilers production in CY2002 continued its long term growth, despite concerns over profitability. A large variety of broiler products are processed. Continued consolidation in the sector and lower prices have lead to large investments in marketing. The extension of branding of chilled and frozen products have stimulated broiler demand. Israeli per-capita consumption of broiler meat second, which is the second highest in the world (after the United States), totaled 35.3 kg per year, in CY2002.

Table 8: Annual Broiler Production - '000 thousand mt live weight

Annual Broiler Production	'000 thousand mt live weight	% change
1999	270	10.2
2000	297	10.0
2001	308	3.7
2002	324	5.2

Forecast for 2003 is a drop in production of between 3-5 percent due to expected economic recession and decreased consumption..

2. Turkeys

Production in CY2002 was essentially identical to the level of 124 thousand mt of turkey meat the previous year, and per capita consumption is about 13 kg annually. The forecast for CY2003 is a decline of over 20 percent to 95 thousand mt. The turkey industry is characterized by a consolidation process: only 115 active growers remain out of 500-600 from 10 years ago.

3. Beef and Dairy Cattle.

While the Israeli dairy industry is going through a period of consolidation, the Israeli beef industry is growing, and may grow even faster in the years ahead. Milk production declined by 1.4 percent in

2002 as local beef production increased by over 16 percent. First months of 2003 show recovery in demand for milk and increased production.

The beef herd is being increased by the importation of young calves for feeding and later slaughtering. There is an additional opportunity for increased consumption of soy meal in the future, as domestic production of beef is expected to increase when a major new feedlot-slaughterhouse project in Northern Israel comes on stream in 2004. This increased demand for protein meal and cakes may be satisfied by domestic crushers or by imported meal, or by a combination of both.

Trade

Exports

In 2002, no exports of animal feed were recorded. Approximately 15-20 percent of the mixed feed produced by Israel's main feed mills is sold to dealers in the Palestinian Authority (PA), mainly for poultry, sheep and goats. Despite the ongoing conflict between Israel and the PA, a considerable level of trade continues to be maintained, although less than the pre-2000 year levels. This may continue to be a sporadic on-again-off again trade which at times creates temporary difficulties.

Imports

Feed mill operators import soybean meal primarily to maintain price pressure on Israeli crushers and to provide some Hi-Pro 48 supplies. Soybean mea imports reached 50 thousand mt in CY2002, all from the U.S. About 50 thousand mt of sunflower seed meal was also imported from the Ukraine, Russia, and Romania in addition to smaller quantities of cottonseed meal and other feed meal. Overall, imports of oilseed meals other than soybean meal were reduced to 73 thousand mt in MY2002 from over 110 thousand mt in the previous year.

Table 9: Estimated Share of Soybean Meal in Total Feed Sales

Year	Total Feed (thousand mt)	Soy meal consumption* (thousand mt)	Soy meal as % of total feed	Imported Soy meal (thousand mt)
1994	2,006	347	17.3	52
1995	2,042	406	19.9	14
1996	2,011	433	21.5	80
1997	2,007	498	24.8	32
1998	2,068	438	21.2	24

1999	2,222	511	23.0	51
2000R	2,200	517	23.5	72
2001R	2,314	539	23.3	40
2002	2,290	596	26.0	50

Source: MOA
* Soybean meal consumption is calculated as domestic crush plus imported meal.
Note: Part of the meal in 2002 is used for the production of soy protein concentrate. Soy meal percentage in feed mix remained as in previous year.

Prices

In the long term, Israeli prices are determined by the world soy prices in the Chicago Board of Trade. In the short term, however, Israeli meal prices are capped by the threat of alternative imports.

Table 10: Development of Soy Meal Prices
(NS/mt ex-factory)

Month/Year	1998	1999	2000	2001	2002
January	1,077	794	832	1,005	991
February	1,051	761	840	979	1,008
March	983	738	840	952	1,011
April	927	720	850	899	1,044
May	905	745	850	857	1,068
June	819	765	850	874	1,090
July	828	770	850	912	1,095
August	822	793	840	961	1,131

September	807	853	840	1,012	1,149
October	873	879	850	1,012	1,108
November	858	848	850	988	1,079
December	812	841	850	978	1,057
Average	897	792	845	952	1,069
Average Annual Exchange Rate:	3.80	4.14	4.08	4.20	4.74

Source: CBS, Price Statistics, Monthly. NS - new sheqel

Trade Policy

The domestic crushing industry enjoys some protection as a result of duty-free imports of seeds combined with import levies on protein meals and oil.

As a result of the 1985 United States - Israel Free Trade Area (FTA) and the 1995 Agreement of Trade in Agriculture (ATAP), the U.S. enjoys a 38 percent reduction of the MFN duty on soy meal. The agreed MFN duty is 14 percent, which would give the U.S. an 8.7 percent levy. But in 1998, under pressure from the feed millers, the government announced an import liberalization policy with a gradual reduction of the levy on meal and oil imports, so that the operative levy on U.S. source soy meal would reach 3 percent in 2001. Actually this did not happen. The idea of some protection for the crushing industry was generally accepted by all Israeli parties, in light of the additional costs Israeli crushers incur by being required to close down operations on the Sabbath in order to maintain their kosher certification, and their obligations to hold emergency stock of soy beans.

The appropriate rate of the import levy to be applied to U.S. and other origin meal, and on oil, became an issue of intense debate and litigation in Israel since 1998 between the crushers, the feed mills, the processed food industry, the livestock and poultry industry, the Ministry of Industry and Trade, the Ministry of Agriculture, and the Finance Committee of Israel's Knesset. (See last year's report Gain #IS2004 for more details).

While legislation or court decisions could still affect the situation, it appears that policy has settled on a levy of 5.5 percent on soybean meal from the U.S. and a 9.5 percent levy on soybean meal from other sources.

Other meals face to a levy of 2.7 percent for meals imported for the U.S. and 4.5 percent for non U.S. meals.

Implications for U.S. Exporters

During several periods over the past two years, importers have had the opportunity to bring in duty-free

soy meal from the U.S. - yet quantities did not increase significantly. As the levy on soy meal remains at least a semi-permanent status, it appears that Israel's domestic crushing industry will not be largely replaced by supplies of imported meal. Some Israeli crushers without a strong financial base may not be able to meet increased demand without significant new investment, which may be only marginally profitable. There may be a gradual increase of imported meal as a complementary to local production imports to cover stable growth of consumption in the long term. Yet discussion with feed mill operators reveal that while there is interest in maintaining some imports of meal to keep competitive pressure on the Israeli crushers, the feed operators do not believe that they could substantially reduce their costs of supply by importing very large quantities of meal. They point out that the higher bulk volume of meal increases transport costs, and note that feed meal, currently, is unloaded and transported directly to the millers, instead of being offloaded in the port , sorted in larger silos, then delivered to the feed mill.

The U.S. is the main reliable world supplier of 48 percent Hi-Pro meal. Feed mill operators and poultry nutritionists prefer the 48 percent meal because of the added flexibility it offers in ration formulation. The fact that Israeli crushers are not producing 48 percent meal makes them more vulnerable to imports of high protein meals. Hi-protein meal imports should be expected to make up a larger part of the meal imports.

Vegetable Oils

Table 12: Soybean Oil PSD

PSD Table (thousand mt)						
Country: Israel						
Commodity: Soybean Oil						
	2001		2002		2003	
	Old	New	Old	New	Old	New
Market Year Begins	10/2001		10/2002		10/2003	
Crush	640	632	697	698		741

Extraction Rate	.18	.18	.18	.18		.18
Beginning Stocks	15	15	16	11		11
Production	115	114	125	126		133
MY Imports	12	8	14	8		8
MY Imports from U.S.	2	2	2	0		0
MY Imports for EU	6	2	5	6		6
TOTAL SUPPLY	142	137	155	145		152
MY Exports	0	0	0	0		0
MY Exports to the EU	0	0	0	0		0
Industrial Consumption	57	57	61	62		64
Food Use Domestic Consumption	67	67	72	70		72
Feed Waste Domestic Consumption	2	2	2	2		2
Total Domestic Consumption	126	126	135	134		138
Ending Stocks	16	11	20	11		14
TOTAL DISTRIBUTION	142	137	155	145		152
Calendar Year Imports	10	8	12	8		8
Calendar Year Import from U.S.	2	2	2	0		2
Calendar Year Exports	0	0	0	0		0
Calendar Year Export to U.S.	0	0	0	0		0

Production

Soy, corn, rapeseed and sunflower oils are all produced in Israel from imported seeds. Vegetable oils are also imported as crude, refined domestically - both by the crushers and by large manufacturers of margarine, snacks and other foods. Imports of refined oil in bulk and bottled, is sporadic but at times substantial. Olive oil, palm oil, and other tropical oils are also used.

Table 13. Vegetable Oil - Summary - mt

Calendar Year	2001	2002	2003 Forecast
Production: Soy oil	114,000	126,000	133,000

Refining - Other Oils	29,000	30,000	30,000
Major Oil Imports:	30,000	21,677	22,000
Soy oil - Crude	6,350	5,100	5,000
Soy oil - Refined	4,153	2,478	2,500
Corn oil - Crude	6,212	2,002	2,000
Corn oil - Refined	10,470	7,817	8,000
Safflower and Sunflower - Crude	300	2,145	2,100
Safflower and Sunflower - Refined	2,296	2,135	2,100
Other Oils	219	0	300
Total Oil	173,000	199,356	206,700

Consumption

Consumption of vegetable oils has increased rapidly in the last few years, and this pattern continued in 2002. This is explained mainly by the rapid growth of snack food production and by growth of the fast food sector. Soybean oil also represents about 74 percent of total vegetable oil consumption.

Prices

The crushers try to use the oil price to compensate for the lower price of protein meal dictated by direct importation by the feed millers. In the long-term, the price of soybean meals and oils is dictated by the price of soybeans on the Chicago Board of Trade; in the short-term component prices change according to market demand.

Table 14: Consumer Price of Soybean Oil

NS per 1,0000 cc

Month/Year	1998	1999	2000	2001	2002
January	5.68	7.08	6.40	6.15	5.52
February	5.91	7.15	6.32	5.81	5.62
March	6.07	7.05	6.40	5.42	5.45
April	6.17	7.55	6.45	5.4	5.78

May	6.15	7.49	6.43	5.66	5.84
June	6.43	7.43	6.40	5.72	5.81
July	6.37	6.60	6.38	5.36	5.95
August	6.43	6.44	6.04	5.34	6.22
September	6.43	6.35	6.24	5.37	6.38
October	6.44	5.70	6.31	5.42	6.32
November	7.00	6.28	5.84	5.32	6.86
December	7.17	6.39	6.15	6.37	6.67
Average	6.35	6.79	6.28	5.52	6.04
Average Annual Exchange Rate:	3.80	4.14	4.08	4.20	4.74

Source: CBS, Price Statistics, Monthly. NS = new sheqel

Trade

Total vegetable oil imports were reduced in CY2002 by over 20 percent, reaching some 2.16 thousand mt of major oils and another 4 thousand mt of tropical and other vegetable oils. Additional quantities of about 9 thousand mt were also imported directly by the Palestinian Authority. Crude oils are imported in bulk for refining, and refined oils are imported both in bulk and in consumer packs. Most pictures are based on spot transactions in the international market and not on long term agreements.

Israeli crushers often express concern that sporadic and spot purchases allow importers to bring in refined oils and depress local prices. Imports of "very cheap oil from Argentina" are often cited. Yet despite low prices of imports in 2001 and 2002, imported oil remains no more than 5 percent of total oil consumption.

Table 15: Trade Matrix - Crude Soy Oil Imports

Country of Sale	CY2001 Value $1000	CY2001 Quantity mt	CY2002 Value $1000	CY2002 Quantity mt
U. S.A.	57	31	0	0
Other				
Greece	1,507	3,719	1,196	2,704

Spain	813	2,140	1,280	1,999
Others not Listed	217	460	156	398
Total	2,594	6,350	2,632	5,101

Source: Foreign Trade Statistics ,Quarterly, 4/2002, 2002-unpublished worksheets

Table 16: Trade Matrix - Refined Soy Oil - Imports

Country of Sale	CY2001 Value $1000	CY2001 Quantity mt	CY2002 Value $1000	CY2002 Quantity mt
U. S.A.	1255	1578	0	0
Other				
Argentina	918	1606	602	888
Netherlands	91	172	51	75
France	0	0	953	1,335
Belgium	286	539	165	178
Others not Listed	168	258	3	1
Total	2,718	4,153	1,774	2,477

Source: Foreign Trade Statistics ,Quarterly, 4/2002, 2002-unpublished worksheets

Table 17: Trade Matrix - Crude Sunflower and Safflower Oil

Country of Sale	CY2001 Value $1000	CY2002 Value $1000	CY2002 Quantity mt
U.S.A	0	6	5
Other			

Belgium	22	883	2,074
Germany	15	25	12
Greece	400		
Turkey	157		
Argentina		40	49
Others not Listed	25	9	6
Total	619	963	2,146

Source: Foreign Trade Statistics ,Quarterly, 4/2002, 2002-unpublished worksheets

Table 18: Trade Matrix - Refined Sunflower and Safflower Oil

Country of Sale	CY2001 Value $1000	CY2001 Quantity mt	CY2002 Value $1000	CY2002 Quantity mt
U.S.A	0	0	0	0
Others:				
France	29	38	292	288
Belgium	40	60	93	106
Romania			120	196
Turkey	315	507		
Spain	136	216		
Canada	37	49	36	22
Argentina	907	1,296	1,118	1,482
Others not Listed	100	130	36	41
Total	1,564	2,296	1,695	2,135

Source: Foreign Trade Statistics ,Quarterly, 4/2002, 2002-unpublished worksheets

Table 19: Trade Matrix - Crude Corn Oil

Country of Sale	CY2001 Value $1000	CY2001 Quantity mt	CY2002 Value $1000	CY2002 Quantity mt
U.S.A.	2,258	4,354	694	1,020

Others:				
Turkey	532	1,095	214	454
Netherlands	262	106	95	194
Cyprus			147	240
Others not Listed	130	657	64	94
Total	3,182	6,212	1,214	2,002

Source: Foreign Trade Statistics ,Quarterly, 4/2002, 2002-unpublished worksheets

Table 20: Trade Matrix - Refined Corn Oil

Country of Sale	CY2001 Value $1000	CY2001 Quantity mt	CY2002 Value $1000	CY2002 Quantity mt
U.S.A.	648	696	788	889
Others:				
Argentina	465	695	408	551
Turkey	5,655	8,483	4,015	4,805
France	29	41	1,238	1,479
Others not Listed	417	555	39	93
Total	7,213	10,470	6,488	7,817

Source: Foreign Trade Statistics ,Quarterly, Y/2002, 2002-unpublished worksheets

Other Oils

Other oils imports in CY2002 included 1,530 mt of palm oil, mainly from Singapore and Malaysia. Sunflower and Safflower oil imports grew to over 4000 mt from the E.U., Eastern Europe, Argentina, Turkey and other sources.

Trade Policy

The trade policy for imports of oil is identical to the policy on oil protein meal discussed in the section above. The same arguments and disputes run in parallel, except that Israeli food manufactures and processors substituted for the feed millers in lobbying for the reduction of the import levy on oils. If anything, the food processors were more aggressive in their arguments. Many claim that their own finished products (pretzels, snacks etc) must compete in the Israeli market place against duty free imports of food stuffs. Nevertheless, a 4.5 percent import levy on soy rapeseed and sunflower oils from the U.S. remains in effect with 7.5 percent applied on imports from other sources. Recently the

oil crushes again started lobbying for the increase of the levy on soy oil to 13.5 percent for other countries and 12.2 percent from the United States. It is unreasonable that their demand will be accepted mainly on the background of the economic policy which tries to avoid protected industries.

Crushing Capacity

Crushing capacity in Israel in 2002 was about 800 thousand mt of soy and other beans. "Solbar" and "Shemen" continue their expansion with facilities for soybean protein concentrate. With profitability apparently uncertain, and the uncertainty of the import protection against imported oil and meal, other crushers are reluctant to consider further expansion. The introduction of new crushing facilities in the region (Egypt and Turkey) may also present a threat to Israeli crushers. Current crushing capacity is estimated below.

Table 21: Estimated Crushing Capacity by Plants

Plant	2000	2002	2004 Projection
Shemen	200,000	220,000	260,000
Miloumor	80,000	90,000	90,000
Solbar	100,000	180,000	270,000
Teth-Beth	160,000	170,000	175,000
Olivex	120,000	140,000	140,000
Total	660,000	800,000	895,000

Source: According to Information received from the crushers.

Shemen Industries is the largest soybean crusher in Israel, with its Shemen and Miloumor plants located in the Haifa Bay area. Shemen has upgraded production facilities and added considerable storage facilities in recent years. In 2002 it imported about 180,000 tons of soybean for crushing, essentially the same amount as the year before. Its Miloumor facility crushes and refines much of the non-soy oil in Israel.

In 2003 Shemen is opening a new production facility for soy protein concentrate, which will utilize over 40,000 tons of soybeans per year. It is the only public company of the group, with 25 percent of the company's stock traded on the Tel Aviv Stock Exchange. Shemen Industries also has other diversified holdings. Solbar-Hatzor is fastest-growing upstart of the group. Solbar was originally primarily a producer of soy protein concentrate and textured concentrate for human consumption - one of only a handful in the world. Its excess oil and meal were essentially by-products, making only a small contribution to the market. But today only about 40 percent of its soybean go to human food - the rest is processed into oil and meal. In Recent years its overall growth has made it a major player in the feed meal and oil markets in Israel. It is the only crusher that produces Hi-Pro meals, utilizing the hulls in the

production of a molasses mix.

Solbar intends to continue expanding its facilities in Ashdod, and expects a crush of 270,000 in the next two to three years, which would make it Israel's largest crusher. The firm is also unusual in its ownership. While ADM and Kibbutz Hatzor used to own shares, the firm is today owed by individual members of kibbutz Hatzor - a precedent-breaking arrangement for the Kibbutz collective system.

Teth-Beth is family-owned firm near Ashdod. The company had previously operated two soybean-crushing plants, but their total capacity is now reduced to one facility. The firm has also sold off its "Vita" subsidiary which made cakes, non-dairy creamers, and other food items. It now produces the products as a contractor for the new owners. Yet the crushing operation remains active and has plans to increase operations.

Olivex is a privately held firm, 20 percent owned by ADM, with facilities located in an urban area near Tel Aviv. In 2000, the plant made major renovations, but in time the real estate value of its land may cause relocation or closure. In November and December 2002, the company halted its own import purchases of soybeans, and operated its plants as a contractor for the other crushers. It has since resumed its own import and purchase of soybeans.

Genetically Modified Products

The government of Israel has appointed two committees to determine GMO policy: one chaired by the Ministry of Health (MOH) and the second by a representative of the Plant Protection and Inspection Services of the Ministry of Agriculture (MOA). The MOH committee circulated its proposal for public comment in 2001 and has now modified its proposed "general" regulation to cover only soy and corn products. The proposed regulation covers only products for human consumption and will require the labeling of any GM product and any resulting product containing 1 percent of GM protein or DNA. Thus, for example, GM soy beans for human consumption may require GM labels, but soy oil from GM soy beans, and products containing that oil, will not require a special label. Conceivably, textured soy meal for human consumption would require a GM label if made from GM beans.

By the same logic, soy protein meal for animals would require a GM label. However, the Health Ministry regulation will apply only to human food, and the Ministry of Agriculture is not considering GM labeling of animal feeds. However, the Ministry of Agriculture does require a formal declaration on the import form if the direct product (e.g. soybean) is genetically modified. While the GMO issue is not a "hot" issue for the Israeli public, the issue is of concern to Israeli producers of soy protein concentrate and food products containing soy protein who export their products. In the past, these producers/exporters have relied primarily on non-GMO U.S. soybeans for their human food products. In 2002 some of the soybean for protein concentrate was sourced from South America, and the producer reports that not all buyers specify non-GMO raw material.